CARILLION STAFF PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015
REGISTRATION NUMBER 10246759
# CARILLION STAFF PENSION SCHEME

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVISORS</td>
<td>2</td>
</tr>
<tr>
<td>TRUSTEE REPORT</td>
<td>3</td>
</tr>
<tr>
<td>STATEMENT OF TRUSTEE RESPONSIBILITIES</td>
<td>10</td>
</tr>
<tr>
<td>INVESTMENT REPORT</td>
<td>11</td>
</tr>
<tr>
<td>SUMMARY OF CONTRIBUTIONS</td>
<td>18</td>
</tr>
<tr>
<td>STATEMENT ABOUT CONTRIBUTIONS</td>
<td>19</td>
</tr>
<tr>
<td>INDEPENDENT AUDITORS REPORT TO THE TRUSTEE</td>
<td>20</td>
</tr>
<tr>
<td>FUND ACCOUNT</td>
<td>21</td>
</tr>
<tr>
<td>STATEMENT OF NET ASSETS</td>
<td>22</td>
</tr>
<tr>
<td>NOTES TO THE FINANCIAL STATEMENTS</td>
<td>23</td>
</tr>
<tr>
<td>REPORT ON ACTUARIAL LIABILITIES</td>
<td>37</td>
</tr>
<tr>
<td>COMPLIANCE STATEMENT</td>
<td>39</td>
</tr>
<tr>
<td>CERTIFICATE OF TECHNICAL PROVISIONS</td>
<td>41</td>
</tr>
<tr>
<td>2013 SCHEDULE OF CONTRIBUTIONS</td>
<td>42</td>
</tr>
</tbody>
</table>
CARILLION STAFF PENSION SCHEME

ADVISORS

Scheme Administrator
JLT Employee Benefits

Scheme Actuary
Edwin Topper, FIA
Mercer Limited

Auditor
KPMG LLP

Legal Advisor
Sacker & Partners LLP

Investment Advisor
Mercer Limited

Investment Managers
Aviva Investors Global Services Limited
Baillie Gifford & Co
BlackRock Advisors (UK) Limited
BlueBay Asset Management
Insight Investment Management (Global) Limited
Odey Asset Management
Origin Asset Management
State Street Global Markets
Taube Hodson Stonex Partners

Longevity Swap Counterparty
Deutsche Bank AG

Custodians
BNY Mellon
Brown Brothers Harriman
Citibank N.A.
HSBC Bank Plc
J.P. Morgan
Northern Trust
RBC Investor Services Ireland Limited
State Street Bank and Trust Company

Additional Voluntary Contribution Providers
BlackRock Pensions Limited
Equitable Life Assurance Society
Standard Life Assurance Society

Banker
National Westminster Bank plc

Principal Employer
Carillion plc

Contact Address
JLT Employee Benefits
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET
Introduction
The Trustee presents its Annual Report together with the audited financial statements of the Carillion Staff Pension Scheme (the "Scheme") for the year ended 31 December 2015. The Scheme is a defined benefit scheme and is administered by JLT Employee Benefits (formerly Ensign Pensions Administration) in accordance with the establishing document and rules, solely for the benefit of its members and their dependants on the member's retirement and death.

The Trust Deed and Rules governing the Scheme are available for inspection on application to the administrator.

HMRC approval
The Scheme is a "registered pension scheme" for tax purposes.

The Principal Employer
The Principal Employer is Carillion plc. The other participating Employer with eligible employees who are entitled to be members of the Scheme is Carillion Construction Limited, Carillion Professional Services Limited, Carillion Services Limited and Carillion Property Services Limited. The Employer's registered address is Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.

Appointment and removal of Trustee/management of the Scheme
The Scheme is managed by the Trustee, Carillion (DB) Pension Trustee Limited. This company's function is to act as Trustee to the Scheme and to 5 other Carillion Group schemes. The Articles of this company provide for the appointment and removal of Trustee directors. The board of the Trustee is made up of 16 directors, six of whom are appointed by the Principal Employer (one of whom is the independent chair), and ten are member representatives. Two of the current Member Nominated Directors ("MNDs") were co-opted from the previous Trustee companies of five of the six schemes for which it acts as Trustee. All other MNDs (including some who were originally co-opted) have been selected through nominations (and if appropriate elections).

The directors of Carillion (DB) Pension Trustee Limited are:

Appointed by the Employer:
Robin Ellison (Independent Chair)
Simon Eastwood
Robin Herzberg
Lee Mills
Alison Shepley
Brian Watkins

Appointed by the Members:
Alan Bratt
Gerald Brown
Steven Brunswick
Peter Forsyth
Graham Hindley
Julian Wilson (appointed 1 April 2016)

Paul Kitto (resigned 31 December 2015)
Quentin Leiper
Stephen Rowland
Ian Simmonds
Mike Tomlinson
CARILLION STAFF PENSION SCHEME

TRUSTEE REPORT (CONTINUED)

Ian Simmonds and Steven Brunswick have been reappointed with effect from 1 April 2016 in the Carillion Staff and Bower Group and Mowlem Staff constituencies respectively. Julian K Wilson is to be appointed as a Member Nominated Director in the AMPP constituency to replace Paul Kitto, who left Carillion at the end of 2015. Julian Wilson's appointment is to be effective from 1 April 2016, so in accordance with the agreed convention, Paul Kitto's share will be transferred to Alan Bratt for the interim period.

Trustee Knowledge & Understanding
The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and to be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding ("TKU") to assist trustees on this matter which became effective from 6 April 2006 and subsequent revisions were made in November 2009. The Trustee Directors recognise the need for, and participate in, on-going training, including seminars and the Pension Regulator’s ‘Trustee Toolkit’ training program.

Changes to the Scheme
A deed was executed on 22 March 2016 updating the minimum age from which lump sums may be paid on the grounds of triviality, safeguarding members' rights with regard to independent advice about Transfer payments and also allowing a member, at the discretion of the Trustee, to receive the benefits from his or her AVCs as an "uncrystallised funds pension lump sum".

Pensions in payment
In accordance with the Scheme's Trust Deed and Rules, pensions in payment at 1 April 2015 were increased as follows:
1. For pension in respect of pensionable service from 6 April 2006 the increase was 1.6%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December (restricted to a maximum of 2.5%).
2. For pension in respect of pensionable service between 6 April 1997 and 5 April 2006 the increase was 1.6%. This is in line with the increase in the General Index of Retail Prices over the period to the previous 31 December (restricted to a maximum of 5%).
3. In addition, an increase of 1.6% was granted to pensions in payment for service prior to 5 April 1997. This was granted at the discretion of the Trustee and with the consent of the Principal Employer. For pensioners who have passed State Pension Age, this increase is only applied to pensions over and above any Guaranteed Minimum Pension ("GMP").

Increases on the GMP are given partly by the Scheme and partly by the State. Certain members who transferred in benefits from the Tarmac Staff Pension Scheme under bulk transfer arrangements are entitled to different increases and have been notified separately.

Deferred benefits
Deferred benefits held under the Scheme for members who have left service or ceased to contribute to the Scheme are increased over the period from the date of leaving service as follows:
1. The GMP part of members' deferred benefits is increased at a fixed rate dependent on the date of leaving for each complete tax year to State Pension Age.
2. The part of the deferred benefits in excess of the GMP is increased in line with statutory requirements over the period to Normal Retirement Date subject to a maximum of 5% per annum.
Transfer values
The rules of the Scheme permit transfers to other Occupational Pension Schemes, personal pension plans or single premium insurance policies (known as Section 32 policies). Transfer values can also be paid to Stakeholder contracts. If a transfer is made the Trustee receives a statutory discharge from any further liability once the transfer has been affected.

The Trustee confirms that all transfer values are calculated and verified in accordance with the statutory cash equivalent requirements in accordance with the Pension Schemes Act 1993 (the "Act").

The current basis meets the legal requirement of the Act and makes no allowance for the payment of any discretionary benefits under the Scheme.
TRUSTEE REPORT (CONTINUED)

Membership
Details of the membership of the Scheme as at 31 December 2015 are given below:

<table>
<thead>
<tr>
<th></th>
<th>Total 2015</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PENSIONERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensioners at the start of the year</td>
<td>4,244</td>
<td>4,208</td>
</tr>
<tr>
<td>Members retiring during the year</td>
<td>138</td>
<td>148</td>
</tr>
<tr>
<td>New beneficiaries</td>
<td>61</td>
<td>66</td>
</tr>
<tr>
<td>Deaths</td>
<td>(173)</td>
<td>(171)</td>
</tr>
<tr>
<td>Beneficiary pensions ceased</td>
<td>-</td>
<td>(7)</td>
</tr>
<tr>
<td>Full commutation</td>
<td>(19)</td>
<td>-</td>
</tr>
<tr>
<td><strong>PENSIONERS AT THE END OF THE YEAR</strong></td>
<td><strong>4,251</strong></td>
<td><strong>4,244</strong></td>
</tr>
</tbody>
</table>

| **MEMBERS WITH PRESERVED BENEFITS** |            |            |
| Number at the start of the year    | 3,703      | 3,820      |
| Leavers during the year with preserved benefits | 26         | 40         |
| Deferred pensioners becoming pensioners | (116)     | (125)      |
| Transfers out during the year      | (15)       | (20)       |
| Deaths                            | (17)       | (7)        |
| Full commutation                  | (15)       | (5)        |
| **MEMBERS WITH PRESERVED BENEFITS AT THE END OF THE YEAR** | **3,566** | **3,703** |

| **EMPLOYED DEFERRED MEMBERS** |            |            |
| Number at the start of the year   | 477        | 548        |
| Deaths                            | (1)        | (3)        |
| Transfer out during the year      | (5)        | (5)        |
| Retirements                       | (22)       | (23)       |
| Members leaving employment with preserved benefits | (26)      | (40)      |
| **EMPLOYED DEFERRED MEMBERS AT THE END OF THE YEAR** | **423**    | **477**    |

| **TOTAL MEMBERSHIP AT THE END OF THE YEAR** | 8,240 | 8,424 |

Pensioners include individuals receiving a pension upon the death of their spouse.

These membership figures do not include movements notified to the Administrator after completion of the report.
Financial development of the Scheme
The Financial statements on pages 21 to 22 show that the value of the Scheme's assets decreased by £20.3m to £642.2m as at 31 December 2015. The increase was comprised of net withdrawals from dealings with members of £26.1m together with a net increase in the returns on investments of £5.8m.

The Financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 21 to 36.

Contributions
Contributions received from participating Employers were in accordance with the Schedule of Contributions dated 23 December 2014. The Schedule of Contributions is on pages 42 to 44.

The Schedule of Contributions in force from 23 December 2014 expected deficit contributions of £8.1m to be received in relation to 2015. This amount was received during 2015 as shown on page 18.

Investments – policy
The Trustee's investment policy is detailed in their Statement of Investment Principles ("SIP"). The Trustee monitors compliance with the SIP periodically, or more frequently if necessary.

In line with the Occupational Pension (Investment) Regulations (2005), the Trustee is required to review the SIP at least every three years and without delay after any significant changes in investment policy.

The Trustee will review the SIP in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated Investment Policy.

This review will occur annually, in line with the Trustee’s preferred practice. Any such review will again be based on written expert investment advice and the Company will be consulted.

Investment – management
In order to discharge its responsibilities with regard to investments, the Trustee employs specialist investment managers. Details of these managers are set out on page 2.

Each ‘active’ investment manager has been set a performance target in excess of a benchmark return, and is expected to achieve the target performance over a rolling three year period. A target maximum under performance by the investment manager in any one year is also set by the Trustee.

Aviva – fees charged directly to the fund at a rate of 0.4% p.a. on the value of the fund invested in.
CARILLION STAFF PENSION SCHEME

TRUSTEE REPORT (CONTINUED)

Baillie Gifford - fees are charged directly to the fund and are calculated on a sliding fee scale, which is dependent on the value of assets invested in the fund. As such, fees are levied at a rate between 0.45% p.a. and 0.65% p.a. of the fund value. Please note that assets with Baillie Gifford are amalgamated across all of the Schemes within the Carillion Group for fee calculation purposes.

BlackRock - fees are invoiced directly to the Scheme at rates between 0.025% p.a. and 0.35% p.a. of the fund value depending on the fund invested in. The active UK equity fund also has a performance related fee of 20% outperformance of the benchmark.

Insight - fees are charged directly to the fund at a rate of 0.12% of the fund value.

Odey - fees are charged directly to the fund at a rate of 0.7% p.a. of the fund value. There is also a performance related fee of 20% on outperformance of the benchmark.

OrlIn - fees are invoiced directly to the Scheme at a rate of 0.35% p.a. of the fund value.

State Street – fees are invoiced directly to the Scheme at a rate of 0.015% p.a. of the fund. In addition to this, there are transaction charges.

THS - fees are charged directly to the fund at a rate of 0.65% p.a. of the fund value.

Custody of assets
The Trustee uses the custodial arrangements of the investment managers it has appointed to manage the Scheme assets. It has a separate custody agreement with each custodian.

The Trustee has implemented mandates ensuring that rights attaching to Scheme Investments are acted upon. This includes active voting participation and a requirement to consider the social, ethical and environmental issues when formulating the Scheme’s Investment Strategy.

Investment performance
Details of investment performance can be found in the Investment Report on pages 11 to Error! Bookmark not defined..

Further information
Members are entitled to inspect copies of documents giving information about the Scheme.

Any member with a complaint or unresolved query can use the Internal Disputes Resolution Procedure ("IDRP") or, alternatively, they can obtain free advice through the Pensions Advisory Service ("PAS") who can be contacted at 11 Belgrave Road, London, SW1V 1RB. If a member has a complaint which PAS is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at the same address.

In the event of complaint, a copy of the IDRP can be requested from the Secretary to the Trustee, Carillion plc, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.
TRUSTEE REPORT (CONTINUED)

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of Carillion Staff Pension Scheme care of: JLT Employee Benefits, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET

This report, including the Compliance Statement, was approved by the Trustee on 27 June 2016 and signed on its behalf by:

[Signature]
Trustee Director

[Signature]
Trustee Director/Secretary
STATEMENT OF TRUSTEE RESPONSIBILITIES

Statement of Trustee responsibilities for the financial statements
The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes' (revised November 2014).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of a Trustee annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.
INVESTMENT REPORT

Market Background

Investment Markets
Over the 12 month period to 31 December 2015, performance of return seeking asset classes was mixed, with developed market assets strongly outperforming emerging market assets due to concerns over a slowdown in Chinese growth and the strengthening of the US Dollar. Commodity prices fell sharply over the year, with oil prices leading the decline and reaching an 11 year low at end December on the back of the ongoing supply and demand imbalances.

The performance of defensive asset classes was also mixed and mostly reflected the diverging monetary policy trajectories of the world’s major central banks. The Federal Reserve Bank in the United States raised short-term interest rates for the first time since 2006 in December, whilst the European Central Bank and Bank of Japan maintained their highly accommodative policy stance. In the United Kingdom, expectations that the Bank of England will follow the Federal Reserve Bank in tightening its monetary policy led to short-dated nominal government bonds posting a negative return as short dated yields rose. Long dated nominal government bonds delivered a small positive return.

Despite an increase in financial market volatility towards the end of the year, most macroeconomic indicators still point to positive economic growth, particularly in the developed markets. In the United Kingdom, the Office for National Statistics estimated that the economy grew by an annualised rate of 2.1% for the year to 30 September 2015. The consensus expectation is that economic growth in the United Kingdom will be at a similar level of 2.2% over the calendar year of 2015 (source: Consensus Economics, 7 December 2015). Inflation in the United Kingdom turned positive for the first time since the summer months as the Consumer Price Index rose by 0.1% in the year to November 2015.

Strong economic growth in the United States led to the US Dollar rallying against most other currencies, including Sterling. In addition, Sterling also depreciated against the Japanese Yen over the 12 month period to 31 December 2016 due to increased safe haven demand for the Japanese Yen. Sterling appreciated against the Euro over the period.

Equity Markets
At a global level, developed markets as measured by the FTSE World index, returned 4.3%. Meanwhile, a return of -10.3% was recorded by the FTSE AW Emerging Markets index.

At a regional level, European markets returned 5.4% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 1.0%. The FTSE USA index returned 6.9%, while the FTSE Japan index returned 17.6%.

Equity market total return figures are in Sterling terms over the 12 month period to 31 December 2015.

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1 Statistics sourced from Thomson Reuters Datastream unless otherwise specified.
INVESTMENT REPORT (CONTINUED)

Bonds
UK Government Bonds, as measured by the FTSE Gilts All Stocks Index, returned -0.6%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 0.1% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 2.1% to 2.3%.

The FTSE All Stocks Index Linked Gilts index returned -1.0% with the corresponding over 15 year index also exhibiting a negative return, delivering -0.3%.

Corporate debt as measured by the BofA Merrill Lynch Sterling Non-Gilts index returned 0.7%.

Bond market total return figures are in Sterling terms over the 12 month period to 31 December 2015.

Property

UK property investors continued to benefit from the improving property market. Over the 12 month period to 31 December 2015, the IPD UK All Property Index returned 13.8% in Sterling terms. The three main sectors of the UK Property market each recorded positive returns over the period (retail: 8.9%; office: 18.2%; and; industrial 17.3%).

Employer Related Investments

Under the Pensions Act 1995 particular types of investment are classed as “employer-related investments”. Under laws governing employer related investments (ERI) not more than 5% of the current value of scheme assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of Employer Related Investments was extended to cover pooled funds, excluding funds held in life wrappers.

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of the Scheme assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 31 December 2015, and the Scheme therefore complies with legislative requirements. This will continue to be monitored going forward.

Investment Management

General
The overall investment policy of the Carillion Staff Pension Scheme ("The Scheme") is determined by the Trustee, in consultation with Mercer Limited ("Mercer"). The day-to-day management of the assets is delegated to professional investment managers across a range of asset classes. These managers are regulated by the Financial Conduct Authority ("FCA").

All investments held by the Scheme have been managed during the year under review by the investment managers Aviva Investors Global Services Limited ("Aviva"), Baillie Gifford & Co ("Baillie Gifford"), BlackRock Advisors (UK) Limited ("BlackRock"), BlueBay Asset Management ("BlueBay"), Insight Investment Management Global Limited ("Insight"), Odey Asset Management ("Odey"), Origin Asset Management ("Origin"), State Street Global Markets ("SSGM") and Taube Hodson Stonex Partners ("THS").

Investment Principles
The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions act 1995, the Occupational Pension Scheme’s (Investment) Regulations 2005 and subsequent legislation. A copy of the SIP is available upon request.
INVESTMENT REPORT (CONTINUED)

Strategic management of the assets is the responsibility of the Trustee acting on expert advice and reflects the investment objective of the Scheme. To guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has considered its objective and adopted the following:

To make sure that the Trustee can meet its obligations to beneficiaries of the Scheme.

To target a return on the Scheme assets at least in line with the return assumptions of the recovery plan and to deliver the emerging benefits of a maturing pension Scheme based upon realistic expectations of investment returns.

To maximise the return on investments, subject to adequate control of solvency risk.

The Trustee recognises that the Scheme is closed to future service accrual. As such, the Scheme is expected to mature over the coming years. To reflect this, it is an aspiration of the Trustee to gradually de-risk the investment strategy of the Scheme where appropriate over the coming years.

The Trustee recognises the Company's preference to avoid unplanned increases in employer contributions. However, the possibility of unplanned increases cannot be totally removed given the Recovery Plan requires a high level of investment return. Such a return requires the holding of volatile assets.

Responsible Investment and Corporate Governance
The Trustee believes that good stewardship, ethical and environmental social governance ("ESG") issues may have a material impact on investment returns. The Trustee has given their investment managers full discretion when evaluating ESG issues and in exercising rights attached to the Scheme's investments.

The Scheme ensures that the votes attached to its holdings are exercised whenever practical. The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and UK Stewardship Code.

Managers who are authorised in the UK are expected to report on their adherence to these Codes on an annual basis.

Code of Best Practice
The principles set out in the Code of Best Practice are high level principles which aid trustees in their investment and governance decision making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and focus on the nature of each scheme's liabilities. The principles require that trustees include a statement of the scheme's policy on responsible ownership in the SIP and report periodically to members on the discharge of these responsibilities.

The Trustee considers that its investment policies and their implementation are in keeping with these principles.

Deployment of Assets
As at 31 December 2015, the Scheme's assets were managed by Aviva, Baillie Gifford, BlackRock, BlueBay, Insight, Odey, Origin, SSGM and THS.
During Q1 2015, there was a change to the investment strategy. In January 2015, the Scheme disinvested its entire holding in the BlackRock GTAA fund. Given that the amount invested in the GTAA fund was relatively small compared with the Scheme’s cashflow requirements, the money was held in a BlackRock cash fund to be used for cashflow purposes by the Scheme’s administrators as and when required. The strategic allocation to the BlackRock GTAA fund was reallocated to the BlackRock passive UK equity fund.

The investment strategy, as at 31 December 2015, is shown in the tables below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Allocation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>30.0</td>
</tr>
<tr>
<td>UK Equity</td>
<td>8.1</td>
</tr>
<tr>
<td>Global Equity</td>
<td>14.4</td>
</tr>
<tr>
<td>Diversified Growth</td>
<td>7.5</td>
</tr>
<tr>
<td>Mid-Risk</td>
<td>18.0</td>
</tr>
<tr>
<td>Multi-Asset Credit</td>
<td>12.0</td>
</tr>
<tr>
<td>HLV Property</td>
<td>6.0</td>
</tr>
<tr>
<td>Bond</td>
<td>62.0</td>
</tr>
<tr>
<td>Fixed Interest Gilts</td>
<td>9.0</td>
</tr>
<tr>
<td>Sterling Non-Gilts</td>
<td>5.2</td>
</tr>
<tr>
<td>Index-Linked Gilts</td>
<td>17.9</td>
</tr>
<tr>
<td>Sterling Non-Gilts (Buy and Maintain)</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Figures may not sum to total due to rounding.*

<table>
<thead>
<tr>
<th>Manager</th>
<th>Strategic Allocation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>33.2</td>
</tr>
<tr>
<td>Odey</td>
<td>4.5</td>
</tr>
<tr>
<td>Orgin</td>
<td>5.4</td>
</tr>
<tr>
<td>THS</td>
<td>4.5</td>
</tr>
<tr>
<td>Baillie Gifford</td>
<td>7.5</td>
</tr>
<tr>
<td>BlueBay</td>
<td>12.0</td>
</tr>
<tr>
<td>Aviva</td>
<td>6.0</td>
</tr>
<tr>
<td>SSGM</td>
<td>6.9</td>
</tr>
<tr>
<td>Insight</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Figures may not sum to total due to rounding.*
As at 31 December 2015, the market value of the Scheme’s investments (based on bid prices where applicable) amounted to c. £636.1m. The distribution of these assets across the whole portfolio is highlighted below:

<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Class</th>
<th>31 December 2015 (£m)</th>
<th>31 December 2015 (%)</th>
<th>Target (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>UK Equity</td>
<td>24.8</td>
<td>3.9</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td>Fixed Interest Gilts</td>
<td>54.5</td>
<td>8.6</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>Sterling Non-Gilts</td>
<td>40.1</td>
<td>6.3</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>Index-Linked Gilts</td>
<td>73.4</td>
<td>11.5</td>
<td>11.0</td>
</tr>
<tr>
<td>Odey</td>
<td>Global Equity</td>
<td>27.7</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Origin</td>
<td>Global Equity</td>
<td>50.0</td>
<td>7.9</td>
<td>5.4</td>
</tr>
<tr>
<td>THS</td>
<td>Global Equity</td>
<td>28.4</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Baillie Gifford</td>
<td>Diversified Growth</td>
<td>48.4</td>
<td>7.6</td>
<td>7.5</td>
</tr>
<tr>
<td>BlueBay</td>
<td>Multi-Asset Credit</td>
<td>65.8</td>
<td>10.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Aviva</td>
<td>HLV Property</td>
<td>36.1</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>SSGM</td>
<td>Index-Linked Gilts</td>
<td>53.7</td>
<td>8.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Insight</td>
<td>Sterling Non-Gilts (Buy and Maintain)</td>
<td>132.9</td>
<td>20.9</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>636.1</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

All assets are marketable. Aviva HLV Property and BlueBay Multi-Asset Credit assets are valued monthly. Insight Buy and Maintain assets are valued weekly. All other assets can be valued on a daily basis.

**Ten Largest Investments**

The ten largest investments for the Scheme as at 31 December 2015 were as follows:

1. Insight Special Buy and Maintain Fund
2. BlackRock Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund
3. BlueBay Total Return Credit Fund
4. BlackRock Aquila Life Over 25 Years UK Gilt Index Fund
5. Origin Global Specialist Equity Fund
6. Baillie Gifford Diversified Growth Pension Fund
7. BlackRock Aquila Life Corporate Bond Fund
8. Aviva Lime Property Fund
9. THS International Growth & Value Fund
10. Odey Allegra International Fund
INVESTMENT REPORT (CONTINUED)

Investments Exceeding 5% of Total Assets
The following investments exceeded 5% of the total Scheme assets as at 31 December 2015:

1. Insight Special Buy and Maintain Fund
2. BlackRock Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund
3. BlueBay Total Return Credit Fund
4. BlackRock Aquila Life Over 25 Years UK Gilt Index Fund
5. Origin Global Specialist Equity Fund
6. Baillie Gifford Diversified Growth Pension Fund
7. BlackRock Aquila Life Corporate Bond Fund
8. Aviva Lime Property Fund

Review of Investment Performance
The Trustee monitors the performance of the Scheme’s investments, which is measured by Mercer on a quarterly basis to March, June, September and December month ends.

Performance over the one, three and five year periods to 31 December 2015 is shown in the table below. Performance takes into account the strategy changes over the year.

<table>
<thead>
<tr>
<th></th>
<th>Last Year (%</th>
<th>Last 3 Years (% p.a.)</th>
<th>Last 5 Years (% p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Scheme</td>
<td>1.4</td>
<td>6.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.3</td>
<td>6.0</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Figures shown are gross of fees and are based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datamars.

The Scheme has outperformed the benchmark over the one year, three year and five year periods to 31 December 2015.
CARILLION STAFF PENSION SCHEME

INVESTMENT REPORT (CONTINUED)

Custodial Arrangements
The assets with SSGM are held in a segregated portfolio, all other assets are held in pooled fund units. For the pooled funds it is the managers’ responsibility to organise the custody of the underlying securities. For SSGM, the custodian is appointed by the Trustee. The custodians for each manager are listed below:

<table>
<thead>
<tr>
<th>Manager</th>
<th>Custodian</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>BNY Mellon, J.P.Morgan and Citibank</td>
</tr>
<tr>
<td>Odey</td>
<td>RBC Investor Services Ireland Limited</td>
</tr>
<tr>
<td>Origin</td>
<td>HSBC Bank PLC</td>
</tr>
<tr>
<td>THS</td>
<td>Northern Trust</td>
</tr>
<tr>
<td>Baillie Gifford</td>
<td>BNY Mellon</td>
</tr>
<tr>
<td>BlueBay</td>
<td>Brown Brothers Harriman</td>
</tr>
<tr>
<td>SSGM</td>
<td>State Street Bank &amp; Trust Company</td>
</tr>
<tr>
<td>Insight</td>
<td>Northern Trust</td>
</tr>
</tbody>
</table>

Source: Investment Managers.

Given the nature of the investment, there is no custodian for the Aviva fund, but the administrator for the fund is State Street (Jersey) Limited.

The custodians are responsible for the safekeeping of share certificates and other documents relating to the ownership of listed investments. Investments are held in the name of each custodian’s nominee company, in line with common practice for pension scheme investments.

Bases of Investment Managers’ Fees
The Scheme’s investment managers are remunerated on a fee basis that is dependent on the size of assets under management (“base fee”). In addition to the base fee, the fees for the BlackRock UK Focus Fund and the Odey Global Equity Fund include a performance related element equal to 20% of any outperformance relative to the benchmark. For SSGM, fees include a transaction based element in addition to the base fee.

Remuneration for Professional Services
Mercer is remunerated on a retainer fee basis for ongoing monitoring and day-to-day consulting issues. Additional consulting projects are quoted and charged for separately.
SUMMARY OF CONTRIBUTIONS

Statement of Trustee Responsibilities in respect of Contributions
The Scheme's Trustee is responsible under pension's legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by the Employer of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustee summary of contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 December 2015
This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 23 December 2014 in respect of the Scheme year ended 31 December 2015. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Summary of contributions payable during the Scheme year ended 31 December 2015
Contributions payable to the Scheme by the Employer under the Schedule of Contributions in respect of the year ended 31 December 2015 were as follows:

<table>
<thead>
<tr>
<th>Financial Statements £000</th>
<th>Schedule of Contributions £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit contributions paid by Employer</td>
<td>6,100</td>
</tr>
</tbody>
</table>

Signed on behalf of the Trustee:

[Signature]
Trustee Director

[Signature]
Trustee Director

Date: 27 June 2016
STATEMENT ABOUT CONTRIBUTIONS

Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee, of the Carillion Staff Pension Scheme. We have examined the summary of contributions payable under the Schedule of Contributions to the Scheme in respect of the Scheme year ended 31 December 2015 which is set out on page 18.

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an Auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor
As explained more fully in the Statement of Trustee Responsibilities set out on page 18, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

Scope of work on statement about contributions
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Statement about contributions payable under the Schedule of Contributions
In our opinion, contributions for the Scheme year ended 31 December 2015 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions dated 23 December 2014.

Nadja Dabbagh-Hobrow, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH

Date: 4 July 2016
INDEPENDENT AUDITORS REPORT TO THE TRUSTEE

We have audited the financial statements of Carillion Staff Pension Scheme for the year ended 31 December 2015 set out on pages 21 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor
As explained more fully in the Statement of Trustee responsibilities set out on page 10, the Scheme Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2015 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the Information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Nadia Dabbagh-Hobrow, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH
Date: 4 July 2016
# CARILLION STAFF PENSION SCHEME

## FUND ACCOUNT

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTRIBUTIONS AND BENEFITS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions received</td>
<td>3</td>
<td>6,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>6,100</strong></td>
</tr>
<tr>
<td><strong>BENEFITS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>4</td>
<td>(27,170)</td>
</tr>
<tr>
<td>Payments to and on account of leavers</td>
<td>5</td>
<td>(4,447)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>6</td>
<td>(602)</td>
</tr>
<tr>
<td>Other payments</td>
<td>7</td>
<td>(17)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>(32,236)</strong></td>
</tr>
<tr>
<td><strong>NET (WITHDRAWALS) FROM DEALINGS WITH MEMBERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(26,136)</td>
</tr>
<tr>
<td><strong>RETURNS ON INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>8</td>
<td>6,620</td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>9</td>
<td>(692)</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>10</td>
<td>(147)</td>
</tr>
<tr>
<td><strong>NET INVESTMENT RETURNS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,781</td>
</tr>
<tr>
<td><strong>NET (DECREASE)/INCREASE IN THE FUND DURING THE YEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(20,355)</td>
</tr>
<tr>
<td><strong>NET ASSETS AT 1 JANUARY 2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>662,597</td>
</tr>
<tr>
<td><strong>NET ASSETS AT 31 DECEMBER 2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>642,242</td>
</tr>
</tbody>
</table>

The notes on pages 23 to 36 form an integral part of these financial statements.
## Statement of Net Assets

**Available for Benefits at 31 December 2015**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>10</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Bonds</td>
<td>10</td>
<td>53,705</td>
<td>53,246</td>
</tr>
<tr>
<td>Pooled investment vehicles</td>
<td>10</td>
<td>582,493</td>
<td>601,983</td>
</tr>
<tr>
<td>AVC investments</td>
<td>10</td>
<td>2,949</td>
<td>3,056</td>
</tr>
<tr>
<td>Other investments</td>
<td>10</td>
<td>2,430</td>
<td>2,123</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>641,613</strong></td>
<td><strong>660,444</strong></td>
</tr>
<tr>
<td><strong>Investment Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longevity swap</td>
<td>10</td>
<td>(1,600)</td>
<td>(1,300)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td></td>
<td><strong>640,013</strong></td>
<td><strong>659,144</strong></td>
</tr>
<tr>
<td>Current assets</td>
<td>11</td>
<td>3,936</td>
<td>5,514</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>12</td>
<td>(1,707)</td>
<td>(2,061)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets at 31 December 2015</strong></td>
<td></td>
<td><strong>642,242</strong></td>
<td><strong>662,597</strong></td>
</tr>
</tbody>
</table>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustee report and these financial statements should be read in conjunction with it.

The notes on pages 23 to 36 form an integral part of these financial statements.

These financial statements were approved by the Trustee at a meeting held on 27 June 2016 and were signed on their behalf by:

\[\text{Trustee Director}\]

\[\text{Trustee Director/Secretary}\]
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (revised November 2014). This is the first year FRS 102 and the Revised SORP have applied to the Scheme's financial statements.

2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

2.2 Contributions and benefits

Contributions and benefits are accounted for in the period in which they fell due.

2.3 Transfers to and from other Schemes

Transfer values have been included in the financial statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer. Individual transfer values to and from other pension arrangements represents the amounts received and paid during the year for members who either joined or left the Scheme and are accounted for when a member exercises their option to transfer their benefit.

2.4 Investment income

Investment income on cash deposits and fixed interest securities is accounted for on an accruals basis. Dividends and interest on securities are accounted for to the extent that they are declared and payable.

The majority of income from pooled investment vehicles is not distributed but is reinvested and included within the closing value of the fund at the year end. Income from pooled investment vehicles which distribute income is accounted for on an accruals basis.

2.5 Valuation of investments

The market value of pooled investment vehicles at the accounting date is based on the bid price for funds with bid/offer spreads; or single price where there are no bid/offer spreads, as advised by the investment managers.

Unquoted securities have been valued by the Trustee after taking the available professional advice. Fixed interest securities are stated at their clean prices.

The Scheme Actuary has valued the longevity swap as the present value of its expected net future cash flows using assumptions which are consistent with the latest Scheme Funding valuation at 31 December 2014, updated for financial conditions at the reporting date and taken this into account in his funding calculations. For accounting purposes, receipts and payments arising from the swap are reported as sales and purchases of investments in the investment reconciliation table in note 9. All gains and losses arising on the swap are reported within "Change in market value" in the Fund account.
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2.6 Additional Voluntary Contributions ("AVCs")
AVCs are valued at the single price provided by the AVC provider, and the resulting investments are included within the Net Asset Statement.

2.7 Administration expenses and Investment Expenses
Administration and Investment expenses are accounted for on an accruals basis.

2.8 Taxation
The Scheme is registered with HMRC and is exempt from Income and Capital Gains tax, with the exception of certain withholding taxes charged on income earned from overseas investments.

2.9 Annuity policies
The Trustee do not hold annuity policies in the name of the Trustee within the Scheme.

3. CONTRIBUTIONS RECEIVED

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer deficit funding contributions</td>
<td>6,100</td>
<td>6,100</td>
</tr>
</tbody>
</table>

Deficit funding contributions are being paid by the Employer into the Scheme in accordance with a recovery plan in order to improve the Scheme's funding position. The contributions were paid in accordance with the Schedule of Contributions dated 23 December 2014.

4. BENEFITS PAID

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension payments</td>
<td>23,089</td>
<td>21,487</td>
</tr>
<tr>
<td>Commutations and lump sum retirement benefits</td>
<td>3,866</td>
<td>4,130</td>
</tr>
<tr>
<td>Lump sums on death</td>
<td>215</td>
<td>375</td>
</tr>
<tr>
<td></td>
<td>27,170</td>
<td>25,992</td>
</tr>
</tbody>
</table>
CARILLION STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refund to members leaving service</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Individual transfers to other schemes</td>
<td>4,447</td>
<td>2,889</td>
</tr>
<tr>
<td></td>
<td>4,447</td>
<td>2,890</td>
</tr>
</tbody>
</table>

6. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Context</th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration and processing</td>
<td>290</td>
<td>453</td>
</tr>
<tr>
<td>Actuarial fees</td>
<td>246</td>
<td>344</td>
</tr>
<tr>
<td>Audit fee</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Legal and other professional fees</td>
<td>39</td>
<td>51</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>29</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>619</td>
<td>886</td>
</tr>
</tbody>
</table>

7. INVESTMENT INCOME

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax refunds</td>
<td>177</td>
<td>646</td>
</tr>
<tr>
<td>Interest on cash deposits</td>
<td>194</td>
<td>213</td>
</tr>
<tr>
<td>Income from pooled investment vehicles</td>
<td>6,249</td>
<td>4,722</td>
</tr>
<tr>
<td></td>
<td>6,620</td>
<td>5,581</td>
</tr>
</tbody>
</table>

Income tax refund due has been restated and included within investment income, to ensure it is correctly classified.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT MANAGEMENT EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration, management &amp; custody fees</td>
<td>456</td>
<td>1,874</td>
</tr>
<tr>
<td>Investment measurement services</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Other advisory fees</td>
<td>184</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>692</td>
<td>2,040</td>
</tr>
</tbody>
</table>

9. INVESTMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Value as at 1 January 2015 £000</th>
<th>Purchases at cost £000</th>
<th>Sales proceeds £000</th>
<th>Change in market value £000</th>
<th>Value as at 31 December 2015 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Index Linked Gilt</td>
<td>53,246</td>
<td>191</td>
<td>-</td>
<td>268</td>
<td>53,705</td>
</tr>
<tr>
<td>Pooled Investment vehicles</td>
<td>601,993</td>
<td>10,177</td>
<td>(30,830)</td>
<td>1,163</td>
<td>582,493</td>
</tr>
<tr>
<td>Longevity Swap</td>
<td>(1,300)</td>
<td>1,418</td>
<td>-</td>
<td>(1,718)</td>
<td>(1,600)</td>
</tr>
<tr>
<td>AVC investments</td>
<td>3,056</td>
<td>4</td>
<td>(251)</td>
<td>140</td>
<td>2,949</td>
</tr>
<tr>
<td>Sub total</td>
<td>657,021</td>
<td>11,799</td>
<td>(31,081)</td>
<td>(147)</td>
<td>637,583</td>
</tr>
<tr>
<td>Cash deposits</td>
<td>707</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Accrued income</td>
<td>1,416</td>
<td></td>
<td></td>
<td></td>
<td>2,427</td>
</tr>
<tr>
<td></td>
<td>659,144</td>
<td></td>
<td></td>
<td></td>
<td>640,013</td>
</tr>
</tbody>
</table>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

There is no direct overseas investment by the Scheme as all funds are invested with companies registered in the UK, apart from the investment held with BlueBay Asset Management which is based in the Cayman Islands.
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not, therefore, separately identifiable.

Transaction costs within the segregated funds are not material and therefore no separate disclosure is required.

Pooled Investment Vehicles

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Interest Securities</td>
<td>94,598</td>
<td>101,384</td>
</tr>
<tr>
<td>UK Equities</td>
<td>24,850</td>
<td>23,832</td>
</tr>
<tr>
<td>Overseas Equities</td>
<td>106,316</td>
<td>101,800</td>
</tr>
<tr>
<td>Index Linked</td>
<td>73,444</td>
<td>74,264</td>
</tr>
<tr>
<td>Global tactical asset allocation</td>
<td>-</td>
<td>14,870</td>
</tr>
<tr>
<td>Diversified growth pension fund</td>
<td>48,388</td>
<td>47,428</td>
</tr>
<tr>
<td>Multi-asset credit</td>
<td>65,840</td>
<td>71,262</td>
</tr>
<tr>
<td>Buy and maintain credit</td>
<td>132,930</td>
<td>132,172</td>
</tr>
<tr>
<td>Property fund</td>
<td>36,127</td>
<td>34,971</td>
</tr>
<tr>
<td></td>
<td>582,493</td>
<td>601,983</td>
</tr>
</tbody>
</table>

Longevity Swap

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longevity swap</td>
<td>(1,600)</td>
<td>(1,300)</td>
</tr>
</tbody>
</table>
a) Capital commitment
At 31 December 2015, the Scheme had settlement commitments in respect of the longevity swap contract of £115k based on the value date of 30 November 2015 and £133k based on the value date of 31 December 2015. These were paid to Deutsche Bank AG in January and February 2016 respectively.

b) Collateral assets
As part of the longevity swap contract, the Scheme is required to assign collateral assets to be held by State Street. As at 31 December 2015, the collateral assets held, included in investments above, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index linked gilts</td>
<td>53,704</td>
<td>53,246</td>
</tr>
</tbody>
</table>

AVC Investments
The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year-end is shown below.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>2,369</td>
<td>2,404</td>
</tr>
<tr>
<td>Standard Life</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Equitable Life</td>
<td>573</td>
<td>645</td>
</tr>
<tr>
<td></td>
<td>2,949</td>
<td>3,056</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other Investments

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling cash deposits</td>
<td>3</td>
<td>707</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>2,427</td>
<td>1,416</td>
</tr>
<tr>
<td></td>
<td>2,430</td>
<td>2,123</td>
</tr>
</tbody>
</table>

Fair Value Hierarchy of Investments

In March 2016, an amendment was made to FRS 102 revising the fair value disclosure requirements for retirement benefit plans. This amendment applies for accounting periods beginning on or after 1 January 2017, however, early adoption is permitted for periods ending 31 December 2015 onwards. The Trustee has decided to adopt the amended disclosure early as set out below:

Level 1  The quoted price for an identical asset in an active market
Level 2  When quoted prices are unavailable, the price of a recent transaction or other observable data for an identical asset, adjusted if necessary
Level 3  Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses non-observable market data

For the purposes of this analysis daily priced funds have been included in Level 1, weekly priced funds and monthly net asset values for Absolute Return funds in Level 2 and monthly net asset values for Private Equity funds in Level 3.
The Scheme’s investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

<table>
<thead>
<tr>
<th>At 31 December 2015</th>
<th>Level 1 £000</th>
<th>Level 2 £000</th>
<th>Level 3 £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
<td>36</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td>Index Linked Gilts</td>
<td>53,705</td>
<td></td>
<td></td>
<td>53,705</td>
</tr>
<tr>
<td>Pooled investment vehicles</td>
<td>582,493</td>
<td></td>
<td></td>
<td>582,493</td>
</tr>
<tr>
<td>Longevity Swap</td>
<td></td>
<td>(1,600)</td>
<td></td>
<td>(1,600)</td>
</tr>
<tr>
<td>AVC Investments</td>
<td></td>
<td>2,949</td>
<td></td>
<td>2,949</td>
</tr>
<tr>
<td>Cash deposits</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Accrued income</td>
<td>35</td>
<td>2,392</td>
<td></td>
<td>2,427</td>
</tr>
<tr>
<td></td>
<td><strong>53,743</strong></td>
<td><strong>587,870</strong></td>
<td>(1,600)</td>
<td><strong>640,013</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2014</th>
<th>Level 1 £000</th>
<th>Level 2 £000</th>
<th>Level 3 £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
<td>36</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td>Index Linked Gilts</td>
<td>53,246</td>
<td></td>
<td></td>
<td>53,246</td>
</tr>
<tr>
<td>Pooled investment vehicles</td>
<td>601,983</td>
<td></td>
<td></td>
<td>601,983</td>
</tr>
<tr>
<td>Longevity Swap</td>
<td></td>
<td>(1,300)</td>
<td></td>
<td>(1,300)</td>
</tr>
<tr>
<td>AVC investments</td>
<td></td>
<td>3,056</td>
<td></td>
<td>3,056</td>
</tr>
<tr>
<td>Cash deposits</td>
<td>707</td>
<td></td>
<td></td>
<td>707</td>
</tr>
<tr>
<td>Accrued income</td>
<td>35</td>
<td>1,381</td>
<td></td>
<td>1,416</td>
</tr>
<tr>
<td></td>
<td><strong>53,988</strong></td>
<td><strong>606,456</strong></td>
<td>(1,300)</td>
<td><strong>659,144</strong></td>
</tr>
</tbody>
</table>
Investment Risks
FRS 102 required the disclosure of information in relation to certain investment risks to which the scheme is exposed to at the end of the 3 reporting period. These risks are set out by FRS 102 as follows:

Credit Risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market Risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates
- Interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes that are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment manager. A proportion of investments are allocated to investment managers to whom the Trustee delegates the decision regarding allocations across principal market sectors.

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits of the Scheme are detailed in the SIP.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not consider the AVC and legacy investments as these are not considered significant in relation to the overall investments of the Scheme.

The investment strategy aims to reflect the investment objectives of the Scheme, as stated in the Investment Principles section above. The current strategy is to hold:

- 30.0% in the growth portfolio, comprised of the following pooled investment vehicles: UK and overseas equities funds and the diversified growth fund.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 18.0% in the mid-risk portfolio, comprised of the pooled multi-asset credit and property funds. 12.0% of total assets are invested in the multi-asset credit fund which provides access to a broad basket of credit opportunities and improves overall portfolio diversification.
- 52.0% in the bond portfolio, which shares some characteristics with the long-term liabilities of the Scheme. This is comprised of pooled investment vehicles, segregated mandates and qualified investor fund ("QIF") holding UK government bonds and UK and overseas corporate bonds. 20.0% of total assets are invested in buy and maintain credit, which invests in corporate bonds and is expected to generate fixed cashflows at a higher level of return than otherwise would be obtained from government bonds.

There is no formal rebalancing policy however the asset allocation between growth, mid-risk and bonds is considered when investing and disinvesting for cashflow purposes.

(i) Credit risk
The Scheme is subject to credit risk as the Scheme directly invests in bonds and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Pooled Investment Arrangements
The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

Direct credit risk from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Investments backing unit-linked insurance contracts are comингled with the insurer's own assets and direct credit risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles including bonds held in the multi-asset credit and diversified growth funds. These mandates hold non-investment grade credit rated instruments on a selective basis, with a view to generating additional returns. Indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by one issuer.
Indirect credit risk also arises in relation to underlying investments held in the property pooled investment vehicle. This indirect risk is mitigated through the use of property as collateral and the diversification of the underlying securities to minimise the impact of default by any one issuer.

Some of the Scheme's pooled arrangements invest in other pooled arrangements, for example the Scheme's investment in the diversified growth fund which invests in other pooled funds managed by Baillie Gifford. The Trustee has considered the impact of these arrangements in relation to the Scheme's exposure to failure by the sub-funds who may have different regulatory protections compared to the pooled investments made directly by the Scheme. The Trustee believes that the indirect credit risk arising from these sub-funds are appropriate due to potential reward.

**Segregated Mandates and QIFs**

Credit risk arising on government bonds held directly in the SSGM segregated mandates is mitigated by investing in UK government bonds where the credit risk is minimal. Credit risk arising on cash held within the SSGM segregated mandates is mitigated by ensuring coupons paid out are reinvested into the longest dated Gilt held in the portfolio at that time. Cash deposits are kept to a minimum, with any remaining balances maintained as a liability on State Street's balance sheet.

The Insight Buy and Maintain Fund is a pooled qualified investor fund, in which the only investors are pension schemes of the Sponsoring employer, Carillion plc. Credit risk arising on corporate bonds held directly in the Insight Buy and Maintain QIF mandate is mitigated by investing in bonds deemed to have strong credit fundamentals and minimal risk of default. Bonds are sold if the outlook for the credit materially deteriorates and if this default risk is not captured in the market price or to maintain fund duration. The credit quality of bonds within the buy and maintain mandate (at 31 December 2015) is outlined in the table below.

<table>
<thead>
<tr>
<th>Rating</th>
<th>% NAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>6.8</td>
</tr>
<tr>
<td>AA</td>
<td>13.3</td>
</tr>
<tr>
<td>A</td>
<td>52.5</td>
</tr>
<tr>
<td>BBB</td>
<td>25.6</td>
</tr>
<tr>
<td>BB</td>
<td>1.2</td>
</tr>
<tr>
<td>B</td>
<td>0.0</td>
</tr>
<tr>
<td>CCC</td>
<td>0.0</td>
</tr>
<tr>
<td>CC</td>
<td>0.0</td>
</tr>
<tr>
<td>C</td>
<td>0.0</td>
</tr>
<tr>
<td>Not Rated</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Insight Investment. Figures may not sum due to rounding.
Credit risk arising from non-investment grade bonds (rated BB or below), held as part of the buy and maintain credit mandate, is mitigated through credit analysis. In addition to this, these holdings are only a small part of the wider portfolio of investment grade credit which minimises the impact of default by any one issuer.

Credit risk arising on cash held directly in the Insight Buy and Maintain fund is mitigated through holding the majority of cash in the Insight Liquidity Fund ("ILF"), this fund is a rated AAA by S&P and Fitch. Cash for collateral and margining purposes will either be held within ILF or the client's custody account with Northern Trust where it is held separately from the bank's money.

Derivative positions held in the Insight Buy and Maintain fund are both over the counter ("OTC") and exchange traded.

- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. OTC credit risk is mitigated through Insight's derivative operations team who monitor trade positions and ensure that daily margins are posted and received as the value of the contract moves.
- Credit risk is mitigated on exchange traded positions through the monitoring and payment/receipt variation margin in addition to any initial margin paid at the outset of contracts.

Positions are exposed to counterparty risk. This risk is mitigated through monitoring by Insight's Counterparty Credit Committee who select counterparties through a number of assessment factors including credit quality, capability, liquidity, pricing and operational effectiveness.

(ii) Currency Risk

The Scheme is subject to indirect currency risk arising from the Scheme's investment in sterling priced pooled investment vehicles as they hold underlying investments denominated in foreign currencies.

The Scheme's investment in the multi asset credit and diversified growth funds consists of underlying investments across a range of asset class and regions. These funds use currency exposure as part of their investments strategy to generate additional returns.
(iii) **Interest Rate Risk**

The Scheme is subject to interest rate risk on the investments comprising of bonds held either as segregated or through pooled investment vehicles and cash.

The Trustee has set a benchmark for total investment in bonds of 52.0% of the total investment portfolio. Under this portfolio, if interest rates fall, the value of the investments is expected rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the bond investments should fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Trustee has an exposure to growth fixed income assets within the mid-risk and growth portfolios in the form of the multi-asset credit and diversified growth funds. This interest rate exposure is taken by Bluebay and Baillie Gifford and is part of their investment strategy to add value.

As at 31 December 2015, bond assets represented 55.7% (2014: 55.2%) of the total investments portfolio, not including those bond assets held within the multi-asset credit and diversified growth mandates.

(iv) **Other Price Risk**

Other price risk arises principally in relation to the Scheme’s growth and mid-risk portfolios which include the pooled investment vehicles in UK and overseas equities as well as the pooled property, diversified growth and multi asset credit funds.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

As at 31 December 2015 these growth and mid-risk assets represented 44.3% (2014: 44.8%) of the total investments portfolio.

(v) **Longevity Risk**

In December 2013 the Scheme entered into a longevity swap in order to hedge the longevity risk of the pensioner population as at 1 September 2013.
10. CURRENT ASSETS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions paid in advance</td>
<td>1,873</td>
<td>1,806</td>
</tr>
<tr>
<td>Cash balances</td>
<td>1,849</td>
<td>3,125</td>
</tr>
<tr>
<td>Other debtors</td>
<td>37</td>
<td>50</td>
</tr>
<tr>
<td>Income Tax Reclaim receivable</td>
<td>177</td>
<td>533</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,936</strong></td>
<td><strong>5,514</strong></td>
</tr>
</tbody>
</table>

11. CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015 £000</th>
<th>31 December 2014 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid benefits</td>
<td>303</td>
<td>206</td>
</tr>
<tr>
<td>Amounts due to HMRC</td>
<td>306</td>
<td>301</td>
</tr>
<tr>
<td>Administration and investment management fees due</td>
<td>1,009</td>
<td>1,201</td>
</tr>
<tr>
<td>Other creditors</td>
<td>89</td>
<td>353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,707</strong></td>
<td><strong>2,061</strong></td>
</tr>
</tbody>
</table>

The amounts due for administration and investment management fees relate to the expected recharge of expenses from the Employer for the year. These amounts have been included in the expenses in notes 6 and 8.

Other creditors include £248k (2014: £247k) payments due to Deutsche Bank AG in respect of the longevity swap contract for the months of November and December 2015.

12. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. Additionally, certain Directors of the Trustee Company have an interest as either a pensioner or deferred member of the Scheme due to their service as an employee with the Employer.

Carillion plc have re-charged the Scheme £48k for administration and processing fees in 2015 (2014: £48k). The amount is included within the administrative expenses shown in note 6.
REPORT ON ACTUARIAL LIABILITIES

Actuarial valuation
The Scheme is subject to the Statutory Funding objective which is to have sufficient and appropriate assets to cover its 'technical provisions'. The technical provisions are an estimate made on actuarial principles of the assets needed at any particular time to cover the Scheme liabilities. Liabilities include pensions in payment, benefits payable to the survivors of former members and those benefits accrued by other members which will be payable in the future.

Technical provisions are calculated using an accrued benefit funding method and assumptions chosen by the Trustee, after taking the Actuary's advice and usually obtaining the Employer's agreement.

These assumptions will be subject to scrutiny by the Pensions Regulator if they fall outside reasonable boundaries as judged by the Regulator.

To check if the Scheme has sufficient assets to cover its liabilities the Trustee asks the Actuary to perform a valuation.

In a valuation, the Actuary measures the value of the Scheme's assets, estimates the value of its liabilities and then compares the two. This gives the funding level. If the Scheme has exactly the right amount of assets to meet its liabilities, it is described as having a 100% funding level. The aim is to suggest:

- how much money the Scheme needs to have set aside to cover the benefits members have already earned; and
- the contributions the Scheme should receive for benefits building up in the future, if any.

In a valuation, the Actuary looks at the Scheme's finances under three situations.

The on-going basis is effectively the basis used by the Trustee in setting their funding target and assumes that the Scheme will continue in its present form. It includes the cost of paying benefits now and in the future including building in an allowance for future discretionary increases to pensions in payment earned before 6 April 1997. These liabilities can be spread over many years, which allow the Actuary to include allowance for future investment growth on the Scheme's assets.

The scheme specific funding basis was introduced following the Pensions Act 2004 and effectively is the basis used for striking the technical provisions. As with the on-going basis, it assumes that the Scheme will continue in its present form. It also uses broadly the same assumptions as the on-going basis, but takes account of guaranteed benefits only.

The discontinuance basis assumes that the Scheme was wound up on the valuation date. The Actuary is required by law to look at this situation: it does not mean that the company is thinking of ending the Scheme. To do this, he looks at whether the Scheme had enough money to buy insurance policies to provide members' benefits. This is called the 'full solvency position'. Insurance companies have to invest in low risk assets which are likely to give low returns, while their policy prices will include administration charges and a profit margin. This means that even if a Scheme is fully funded on the on-going basis, the full solvency figure is likely to be less than 100%.
The results of the valuation as at 31 December 2013
The latest valuation is taken at 31 December 2013. This was signed on 23 December 2014. The actuarial certificate required under section 227 relating to the 2013 valuation, as required by law, is set out on pages 42 to 44.

Scheme-specific Basis
On 31 December 2013, the Actuary found that the Scheme was not 100% funded and the full amount needed to provide benefits was £680m. The market value of the Scheme’s assets was £812m which gave a shortfall of £68m on the technical provisions basis. This is equivalent to a funding level of 90%.

Discontinuance Basis
If the Scheme was wound up on 31 December 2013, the Actuary estimated the shortfall would have been £328m. This is equal to a funding level of 65%.

Under the Statutory Funding objective, where there is a shortfall at the effective date of the actuarial valuation, the Trustee must aim to achieve full funding in relation to the technical provisions. It achieves this by agreeing a Recovery Plan with the Employer to make good any shortfall over a reasonable period. The Scheme’s Statutory Funding objective and Recovery Plan are subject to the Regulator’s scrutiny.

The Trustee and Employer agreed on a Recovery Plan which aims to achieve 100% funding on the technical provisions basis by 30 June 2029, with the Employer paying shortfall contributions of £6.1m per annum from 2014 to 2016, £12m in 2017, £12.9m from 2018 to 2021 and £13.9m from 1 January 2022 to 30 June 2029.

Movements over the last year and since the valuation
Over 2015, the Scheme’s funding level reduced slightly as positive investment returns and deficit contributions were not sufficient to offset the interest cost on the liabilities. Since the formal valuation as at 31 December 2013, there has been a significant reduction in the Scheme’s funding level due to falling gilt yields increasing the cost of providing members’ benefits. As at 31 December 2015, the Scheme’s funding level was approximately 82% on the scheme-specific (technical provisions) basis and approximately 75% on the ongoing-basis which pre-funds discretionary increases in addition.

The next full actuarial valuation of the Scheme will fall due as at 31 December 2016, although the funding position will continue to be monitored regularly by the Trustee as part of its on-going strategy for managing the Scheme.

Full details of the valuation as at 31 December 2013 are given in the Actuary’s valuation report. A copy is available on request from the Administrator.

During the year the Trustee sent out a Summary Funding Statement to members, as required by law, to set out the financial position of the Scheme.
CARILLION STAFF PENSION SCHEME

COMPLIANCE STATEMENT

Introduction
The Scheme is a defined benefit scheme and is administered by JLT Employee Benefits in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10246759.

Other Information
1 The Trustee is required to provide certain information about the Scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Pension Schemes Registry
PO Box 1NN
Newcastle Upon Tyne
NE89 1NN

2 The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension Scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. Enquiries should be addressed to:

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

3 The Pensions Advisory Service ("PAS") exists to assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustee or Administrators of the Scheme. PAS may be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

4 The Pensions Regulator ("TPR") can intervene if it considers that a Scheme's Trustee, advisers or the Employer are not carrying out their duties correctly. The address for TPR is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW
COMPLIANCE STATEMENT (CONTINUED)

5 The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an Employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on Occupational Pension Schemes.

6 The Trust Deed and Rules, the Scheme details and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to members' own pension positions, including estimates of transfer values, should also be requested from the administrators of the Scheme, JLT Employee Benefits, at the address detailed in this report.
Certificate of technical provisions

<table>
<thead>
<tr>
<th>Name of the Scheme</th>
<th>Carillion Staff Pension Scheme</th>
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</table>

**Calculation of technical provisions**

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 23 Dec 2014.

<table>
<thead>
<tr>
<th>Signature</th>
<th>E. S. Topper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>E. S. Topper</td>
</tr>
<tr>
<td>Date of signing</td>
<td>23 Dec 2014</td>
</tr>
<tr>
<td>Name of employer</td>
<td>Mercer Limited</td>
</tr>
<tr>
<td>Address</td>
<td>Belvedere 12 Booth Street Manchester M2 4AW</td>
</tr>
<tr>
<td>Qualification</td>
<td>Fellow of the Institute and Faculty of Actuaries</td>
</tr>
</tbody>
</table>
Carillion Staff Pension Scheme
Schedule of Contributions, incorporating actuarial certificate

Status of this document
This schedule has been prepared by the Trustee of the Carillion Staff Pension Scheme ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Edwin Topper, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Carillion Staff Pension Scheme ("the Scheme") following the 31 December 2013 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the Employer, Carillion plc on behalf of itself and the other employers participating in the Scheme, on 3.8.13.

The Trustee and the Employer have signed this schedule to indicate that it represents an accurate record of the agreed pattern of contributions. The schedule is effective from the date it is certified by the Scheme Actuary.

Contributions to be paid to the Scheme from 31 December 2013 to 30 June 2029

Members' contributions
No contributions are payable by members after 5 April 2009.

Employer's contributions in respect of future accrual of benefits
No future accrual contributions are payable by the employer after 5 April 2009.

Employer's contributions in respect of the shortfall in funding as per the recovery plan of 3.8.13:

The employer shall pay shortfall correction additional contributions of at least £6.1m p.a. from 2014 to 2016 inclusive, £12.6m in 2017, £12.9m p.a. from 2018 to 2021 inclusive and £13.9m p.a. from 1 January 2022 to 30 June 2029, with contributions being paid on a monthly basis or earlier unless otherwise agreed by the Trustee.

The above contributions assume that the contingent trigger will not arise following the 31 December 2019 actuarial valuation (see section 2.3 of the main valuation report) but if it does, then the contributions from 1 January 2022 will be adjusted downwards accordingly.

Employer's contributions in respect of benefit augmentations
In addition, the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustee.
Employer’s contributions in respect of administration and other costs

The Employer will, each year, pay the Scheme’s share of the continuing costs and expenses of operating the swaps, capped at £500,000 (excluding VAT) for the five schemes. Other expenses will be paid directly from the Scheme from 1 January 2014.

PPF levies incurred by the Scheme will be met by the Employer.

Other employer contributions

The Employer may pay additional contributions on a regular or one-off basis if it chooses.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustee and the Employer no later than 15 months after the effective date of each actuarial valuation, due at least every three years.

This schedule of contributions has been agreed by the Employer, Carillion plc on behalf of itself and the other employers participating in the Scheme, and the Trustee of the Carillion Staff Pension Scheme on 23 Dec 2014.

Signed on behalf of Carillion plc

Tim George
Deputy Company Secretary
Carillion plc

Date of signing: 23 Dec 2014

Signed on behalf of the Trustee of the Carillion Staff Pension Scheme

Robin Ellison
Chairman

Date of signing: 23 Dec 2014
Certification of Schedule of Contributions

Name of Scheme
Carillion Staff Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to be met by the end of the period specified in the recovery plan dated 23 Dec 2014.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 23 Dec 2014.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme’s liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature
[Signature]

Scheme Actuary
E S Topper

Qualification
Fellow of the Institute and Faculty of Actuaries

Date of signing
23 Dec 2014

Name of employer
Mercer Limited

Address
Belvedere
12 Booth Street
Manchester
M2 4AW